

**State of Michigan
34th Judicial District Court**

**Financial Report
with Additional Information
June 30, 2003**

State of Michigan 34th Judicial District Court

Contents

Report Letter	I
----------------------	----------

General Purpose Financial Statements

Combined Balance Sheet - All Fund Types	2
Statement of Revenue and Expenditures - Budget and Actual - General Fund	3
Notes to Financial Statements	4-8

Report Letter	9
----------------------	----------

Additional Information

Combining Balance Sheet - All Agency Funds	10
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	11

Independent Auditor's Report

To the Judges of the State of Michigan
34th Judicial District Court

We have audited the accompanying general purpose financial statements of the State of Michigan 34th Judicial District Court as of June 30, 2003 and for the year then ended. These general purpose financial statements are the responsibility of the State of Michigan 34th Judicial District Court's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Michigan 34th Judicial District Court as of June 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 6, 2003

State of Michigan

34th Judicial District Court

Combined Balance Sheet - All Fund Types June 30, 2003

	Governmental Fund Type - General	Fiduciary Fund Type - Agency	Totals (Memorandum Only)
Assets			
Cash and cash equivalents (Note 2)	\$ 4,531	\$ 634,304	\$ 638,835
Due from Agency Funds (Note 3)	7,829	-	7,829
Due from other local governmental units	5,891	-	5,891
Prepaid expenses and other assets	36,605	-	36,605
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 54,856</u></u>	<u><u>\$ 634,304</u></u>	<u><u>\$ 689,160</u></u>
Liabilities			
Accounts payable	\$ 24,644	\$ -	\$ 24,644
Due to General Fund	-	7,829	7,829
Due to other local governmental units	-	383,850	383,850
Due to State of Michigan	-	104,966	104,966
Due to Wayne County	-	59,306	59,306
Appearance bonds payable	-	55,341	55,341
Due to others	-	23,012	23,012
Accrued and other liabilities	30,212	-	30,212
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u><u>\$ 54,856</u></u>	<u><u>\$ 634,304</u></u>	<u><u>\$ 689,160</u></u>

State of Michigan

34th Judicial District Court

Statement of Revenue and Expenditures - Budget and Actual General Fund Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Operating transfer from the City of Romulus	\$ 2,470,000	\$ 2,470,000	\$ -
Other revenue	171,615	171,986	371
Total revenue	2,641,615	2,641,986	371
Expenditures			
Wages and salaries	1,550,240	1,613,646	(63,406)
Fringe benefits	503,000	546,007	(43,007)
Attorney fees	50,000	51,245	(1,245)
Professional fees and contractual services	129,500	101,468	28,032
Education and training	10,000	9,610	390
Dues, fees, and subscriptions	22,000	35,381	(13,381)
Building insurance, maintenance, and utilities	128,000	90,101	37,899
Equipment lease and maintenance	34,000	24,474	9,526
Furniture and equipment	7,500	19,086	(11,586)
Jury and witness fees	15,000	8,710	6,290
Reference material	10,000	4,529	5,471
Work program	11,375	3,068	8,307
Printing	40,000	32,384	7,616
Computer equipment and software	40,000	8,948	31,052
Supplies	25,000	32,611	(7,611)
Telephone	20,000	29,546	(9,546)
Travel	1,000	279	721
Reinstated bond	10,000	3,971	6,029
Postage	35,000	25,055	9,945
Total expenditures	2,641,615	2,640,119	1,496
Excess of Revenue Over Expenditures - Before transfer to the City of Romulus	-	1,867	1,867
Transfer to the City of Romulus	-	(1,867)	(1,867)
Excess of Revenue Over Expenditures	-	-	-
Fund Balance - July 1, 2002	-	-	-
Fund Balance - June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of Michigan

34th Judicial District Court

Notes to Financial Statements June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The State of Michigan 34th Judicial District Court (the "Court"), located as part of the municipal complex of the City of Romulus, serves the townships of Sumpter, Van Buren, and Huron, and the cities of Belleville and Romulus. As such, the Court is a joint venture of those communities. The Court oversees and processes items relating to traffic violations, criminal offenses, civil infractions, and civil matters. It also provides probation oversight and related services.

The accounting policies of the Court conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Fund Accounting

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus. The City of Romulus approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

State of Michigan

34th Judicial District Court

Notes to Financial Statements

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Depository Fund - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then disburses to the participating local units of government, the State of Michigan, and the County of Wayne, their share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus to operate the Court's General Fund.

Bond Fund - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Basis of Accounting

The General Fund and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue is recorded when received except in cases where it is both measurable and available for use to finance expenditures of the current period.
- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Typically, expenditures are not divided between years by the recording of prepaid expenses. Prepaid expenses reported in the General Fund represent advance payment for future year expenditures.

Upcoming Reporting Change - For the year beginning July 1, 2003, the Court plans to adopt GASB No. 34. This will revise the information being reported in the financial statements. Governmental activities will report information in the significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

State of Michigan

34th Judicial District Court

Notes to Financial Statements June 30, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account group and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Note 2 - Cash and Cash Equivalents

The Court's cash and cash equivalents are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Petty cash	\$	550
Bank deposits (checking accounts and savings accounts)		111,383
Bank investment pools		<u>526,902</u>
Total	\$	<u>638,835</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$188,000, of which \$100,000 is covered by federal depository insurance.

Investments

The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Court; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Note 3 - Interfund Receivables

The following are the interfund receivables at June 30, 2003:

Fund Due To	Fund Due From	Amount
General Fund	Depository Fund	\$ 7,829

State of Michigan

34th Judicial District Court

Notes to Financial Statements

June 30, 2003

Note 4 - Budget Information

The annual budget is prepared by the Court Judges and the Court Administrator and approved annually by the City of Romulus City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a fund total basis. A comparison of actual results of operations to the General Fund budget as adopted by the City of Romulus City Council is reflected in the totals of the general purpose financial statements. The details shown on the budget statement are in greater detail than adopted and are presented for management analysis only.

Note 5 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its District Control Unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds is retained by this fund.
- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund, in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the District Control Unit, City of Romulus.

Note 6 - Postemployment Benefits

The Court provides health care and dental benefits to employees upon retirement, in accordance with labor contracts. Currently, six retirees are eligible. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$33,000.

State of Michigan

34th Judicial District Court

Notes to Financial Statements

June 30, 2003

Note 7 - Defined Contribution Retirement Plan

The Court provides pension benefits for all its salaried and clerical employees through a multiemployer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan upon reaching age 18 and having 120 working days of service. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$113,000 and employee elective contributions were approximately \$4,400 during the year.

Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Additional Information

To the Judges of the State of Michigan
34th Judicial District Court

We have audited the general purpose financial statements of the State of Michigan 34th Judicial District Court as of June 30, 2003 and for the year then ended. Our audit was conducted for the purpose of forming an opinion of the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan 34th Judicial District Court. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

October 6, 2003

State of Michigan 34th Judicial District Court

Combining Balance Sheet All Agency Funds June 30, 2003

	Depository	Bond	Total
Assets - Cash and cash equivalents	<u>\$ 577,614</u>	<u>\$ 56,690</u>	<u>\$ 634,304</u>
Liabilities			
Due to General Fund	\$ 7,829	\$ -	\$ 7,829
Due to other local governmental units	382,501	1,349	383,850
Due to State of Michigan	104,966	-	104,966
Due to Wayne County	59,306	-	59,306
Appearance bonds payable	-	55,341	55,341
Due to others	<u>23,012</u>	<u>-</u>	<u>23,012</u>
Total liabilities	<u>\$ 577,614</u>	<u>\$ 56,690</u>	<u>\$ 634,304</u>

State of Michigan 34th Judicial District Court

Combining Statement of Changes in Assets and Liabilities All Agency Funds Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>Depository Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 543,791</u>	<u>\$ 6,421,198</u>	<u>\$ 6,387,375</u>	<u>\$ 577,614</u>
Liabilities				
Due to General Fund	\$ 8,338	\$ 2,677,033	\$ 2,677,542	\$ 7,829
Due to other local governmental units	362,158	1,715,974	1,695,631	382,501
Due to State of Michigan	117,846	1,188,765	1,201,645	104,966
Due to Wayne County	39,732	704,557	684,983	59,306
Due to others	15,717	134,869	127,574	23,012
Total liabilities	<u>\$ 543,791</u>	<u>\$ 6,421,198</u>	<u>\$ 6,387,375</u>	<u>\$ 577,614</u>
<u>Bond Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 103,011</u>	<u>\$ 964,081</u>	<u>\$ 1,010,402</u>	<u>\$ 56,690</u>
Liabilities				
Due to other local governmental units	\$ 3,548	\$ 1,349	\$ 3,548	\$ 1,349
Appearance bonds payable	99,463	962,732	1,006,854	55,341
Total liabilities	<u>\$ 103,011</u>	<u>\$ 964,081</u>	<u>\$ 1,010,402</u>	<u>\$ 56,690</u>
<u>Total - All Agency Funds</u>				
Assets - Cash and cash equivalents	<u>\$ 646,802</u>	<u>\$ 7,385,279</u>	<u>\$ 7,397,777</u>	<u>\$ 634,304</u>
Liabilities				
Due to General Fund	\$ 8,338	\$ 2,677,033	\$ 2,677,542	\$ 7,829
Due to other local governmental units	365,706	1,717,323	1,699,179	383,850
Due to State of Michigan	117,846	1,188,765	1,201,645	104,966
Due to Wayne County	39,732	704,557	684,983	59,306
Appearance bonds payable	99,463	962,732	1,006,854	55,341
Due to others	15,717	134,869	127,574	23,012
Total liabilities	<u>\$ 646,802</u>	<u>\$ 7,385,279</u>	<u>\$ 7,397,777</u>	<u>\$ 634,304</u>